

## TARIFF ACTION MEMORANDUM

To Commissioners:

Robert M. Pickett, Chairman  
Stephen McAlpine  
Antony G. Scott  
Daniel A. Sullivan  
Janis W. Wilson

Date: December 23, 2020  
Date Filed: December 1, 2020  
30-Days Ends: December 31, 2020  
Effective Date: January 1, 2021

From: Brenda Cox, Utility Financial Analyst

Subject: TL65-303- Cook Inlet Pipe Line, LLC, 2021 Rate Revision

### **Recommendation**

Staff recommends the Commission:

1. Approve Tariff Sheet No. 14 filed on December 1, 2020, with an effective date of January 1, 2021. A side-by-side copy is attached as Schedule BKC-1.

Please see attached Staff Memorandum supporting the above recommendation.

Signed: Brenda Cox Title: Utility Financial Analyst  
Brenda Cox

---

Commission decision regarding this recommendation:

	Date (if different from 12/23/20)	I Concur	I Do Not Concur	I Will Write A Dissenting Statement *
Pickett	_____	<u>RMP</u>	_____	_____
McAlpine	_____	<u>SM</u>	_____	_____
Scott	_____	<u>AGS</u>	_____	_____
Sullivan	_____	<u>DS</u>	_____	_____
Wilson	_____	<u>JW</u>	_____	_____

\* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction Letter Order.

## M E M O R A N D U M

To: Robert M. Pickett, Chairman  
Stephen McAlpine  
Antony G. Scott  
Daniel A. Sullivan  
Janis W. Wilson

Date: December 23, 2020

From: Brenda Cox  
Utility Financial Analyst

Subject: TL65-303- Cook Inlet Pipe Line, LLC, 2021 Rate Revision

### Recommendation

Staff recommends the Commission:

1. Approve Tariff Sheet No. 14 filed on December 1, 2020, with an effective date of January 1, 2021. A side-by-side copy is attached as Schedule BKC-1.

### Background

The State of Alaska (State) and Cook Inlet Pipe Line Company (CIPL) were parties to a Settlement Agreement and five amendments.<sup>1</sup> Under this Settlement Agreement, CIPL filed TL63-303 on November 27, 2019, requesting a rate increase from \$5.61 per barrel to \$8.57 per barrel. TL63-303 was suspended for further investigation into docket P-20-005 and a temporary rate was established equal to the filed rate, subject to refund with interest.<sup>2</sup> On November 17, 2020, the State and CIPL filed a stipulation resolving all

---

<sup>1</sup> Order P-92-005(31)/P-95-004(17), *Order Accepting Settlement Agreement, as Amended, Accepting Past Rates; Vacating Suspension of Current Rate; Vacating Requirement to File Notification of Intrastate Shipments; Precluding Carrier from Collecting Funds for Dismantling, Removal, and Restoration from Future Shippers; and Requiring Filing of Schedule of Funds Collected for Dismantling, Removal, and Restoration*, dated September 10, 2001, as corrected by *Errata Notice*, dated October 4, 2002; Order P-92-005(32)/P-95-004(18), *Order Granting Reconsideration and Conditionally Accepting Settlement Agreement*, dated October 29, 2001; Order P-92-005(33)/P-95-004(19), *Order Approving Agreement of the State of Alaska and Cook Inlet Pipe Line Company on Rate Base and Accumulated Depreciation and Finalizing Acceptance of Settlement Agreement*, dated February 12, 2002. We accepted a second amendment in Order P-07-005(15)/P-08-003(11)/ P-08-007(13)/P-09-001(4), dated August 21, 2009; a third amendment in Order P-15-021(3), dated November 3, 2016; a fourth amendment in Order P-17-003(2), dated September 14, 2017; and a fifth amendment in Order P-18-005(5), dated December 19, 2018.

<sup>2</sup> Order P-20-005(1), *Order Suspending TL63-303; Establishing Temporary Rate Equal to Filed Rate, Subject to Refund; Approving Tariff Sheet; Granting Petition to Intervene; Inviting Participation by the Attorney General and Intervention; Designating Commission Panel; and Appointing Administrative Law Judge*, dated December 26, 2019.

disputed issues in this proceeding (Stipulation)<sup>3</sup> attached to the Stipulation was a Settlement Agreement.<sup>4</sup> An unopposed motion for expedited consideration of the Stipulation was also filed.<sup>5</sup> On November 25, 2020, the Commission granted the Unopposed Motion for Expedited Consideration of Stipulation, accepted the Stipulation Resolving Disputed Issues, accepted the Settlement Agreement (New Settlement Agreement) between the State and CIPL, and established \$8.57 per barrel as the permanent intrastate rate, effective January 1, 2020.<sup>6</sup>

Under the New Settlement Agreement, CIPL is required to file, by December 1 of each year, revised Intrastate rates to be effective on January 1, of the following calendar year. The rates filed may not exceed the maximum rates calculated under the CIPL Settlement Methodology (CSM).<sup>7</sup> CIPL is required to provide the State with all supporting data to calculate the maximum rates 60 days prior to filing its revised rates.<sup>8</sup>

### **Filing**

On December 1, 2020, CIPL filed TL65-303, proposing to increase its rate for the intrastate transportation of petroleum from Granite Point or Trading Bay in the Kenai Peninsula Borough, to the Swanson River Oil Pipeline, from \$8.57 bbl<sup>9</sup> to \$12.57 bbl, effective January 1, 2021. TL65-303 included a copy of Tariff Sheet No. 14, a hard copy printout of the 2021 rate model, supporting data, and CIPL's subscribers list.<sup>10</sup> CIPL indicated a copy of Tariff Sheet No. 14 had been sent to each subscriber on CIPL's subscribers list.<sup>11</sup> CIPL asserted the increase in rates is primarily due to significantly reduced throughput both as a result of low oil prices and Cook Inlet Energy shutting its production.<sup>12</sup>

---

<sup>3</sup> See *Stipulation Resolving Disputed Issues, Request to Close Docket, and Joint Application to Accept CIPL Settlement Agreement*.

<sup>4</sup> Settlement Agreement Cook Inlet Pipe Line, LLC November 16, 2020.

<sup>5</sup> See *Unopposed Motion for Expedited Consideration of Stipulation*, filed November 17, 2020.

<sup>6</sup> See Order P-20-005(4), *Order Granting Expedited Consideration, Accepting Stipulation And Settlement Agreement, And Closing Docket*, dated November 25, 2020.

<sup>7</sup> See Section I-5 (B)(a).

<sup>8</sup> See Section I-6(a).

<sup>9</sup> Filed in TL63-303, approved in Order P-20-005(4), dated November 25, 2020.

<sup>10</sup> TL65-303, at 2.

<sup>11</sup> TL65-303, at 2.

<sup>12</sup> See Supplement filed December 14, 2020.

C IPL advised the New Settlement Agreement was not accepted by the Commission until November 25, 2020 and notwithstanding that the requirement was not in place 60 days before the rates were due, the required information was supplied to the State on September 4, 2020.<sup>13</sup> Although the Commission did not impose any condition on C IPL to provide a disk containing the calculation of the rates using the CSM on December 2, 2020, C IPL provided Staff the 2021 rate model and Staff held it confidential pursuant to 3 AAC 48.040(b)(10).<sup>14</sup>

### **Notice**

The Commission publicly noticed TL65-303 on December 1, 2020, with a comment period ending December 22, 2020. No comments were filed.

### **Analysis**

Staff reviewed the components of the New Settlement Agreement,<sup>15</sup> the confidential Excel schedules provided with TL65-303 and verified the rates were calculated in accordance with the CSM. Staff reviewed the Settlement Agreement noting the total cost of service is calculated as follows: (Operating Expenses + DR&R Allowance + Depreciation Expense + Depreciation of Decommissioned Assets + Amortization of Capitalized MMI + Equity AFUDC Allowance + IDC Amortization + Return on Rate Base + Return on Decommissioned Assets + Income Tax Allowance + Net Carryover).<sup>16</sup> Under the CSM, the maximum rate is calculated by dividing the projected cost of service by throughput of crude petroleum.<sup>17</sup>

---

<sup>13</sup> See Supplement filed December 14, 2020.

<sup>14</sup> 3 AAC 48.040 Confidential Records.

(b) The following records are confidential and are not open to inspection by the public unless they are released under 3 AAC 48.049 or court order or their release is authorized by the person with confidentiality interests:

(10) records of a regulated public utility, pipeline carrier, or pipeline submitted to or copied by the commission's advisory staff during any audit, review, or investigation in connection with any formal or informal proceeding

<sup>15</sup> See Sections II-3, II-5 (a) & (b), II-6(d), II-7(b), II-8(h) & (i), II-9 (f) & (g), II-10, II-11(d), II-12, II-13, II-14, II-15(a), II-16(c), II-17, and II-18 of the New Settlement Agreement.

<sup>16</sup> See Section II-3 of the New Settlement Agreement.

<sup>17</sup> See Section II-1(c) of the New Settlement Agreement.

Staff verified that the stipulated balances<sup>18</sup> and rates of return<sup>19</sup> have been properly utilized in CIPL's TL65-303 rate calculation and that the calculation otherwise appears to comply with the New Settlement Agreement. Staff also reviewed the model and verified CIPL's assertion that the throughput was reduced.<sup>20</sup>

Staff has not recalculated the model's computations, but rather accepts that the CSM model accepted by the Commission in Order 4,<sup>21</sup> functions as designed. Staff notes that it was not able to independently verify the individual cost components or throughput volumes of the 2021 rate calculation because much of the 2021 rate calculation is derived from company estimates, to which Staff does not have access. Therefore, Staff is relying on the settling parties to protest the proposed rate by filing comments during the public notice period if they believe the proposed rates violate the CSM.

### Conclusion

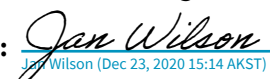
Staff's review of TL65-303 indicates that CIPL's proposed rate revision, as calculated, is less than or equal to the maximum allowable rate in accordance with the New Settlement Agreement. Staff recommends the Commission approve Tariff Sheet No. 14, filed in TL65-303 on December 1, 2020, effective January 1, 2021.

**Signature:**   
**Email:** bob.pickett@alaska.gov

**Signature:**   
Stephen McAlpine (Dec 23, 2020 12:23 AKST)  
**Email:** stephen.mcalpine@alaska.gov

**Signature:**   
Antony Scott (Dec 23, 2020 12:43 AKST)  
**Email:** antony.scott@alaska.gov

**Signature:**   
Daniel Sullivan (Dec 23, 2020 14:20 AKST)  
**Email:** daniel.sullivan@alaska.gov

**Signature:**   
Janis Wilson (Dec 23, 2020 15:14 AKST)  
**Email:** janis.wilson@alaska.gov

---

<sup>18</sup> See Sections II-5(a) & (b), II-6(d), II-7(b), II-8(h) & (i), II-9(f) & (g), II-10, II-12, II-14(e) and II-15(a) of the New Settlement Agreement.

<sup>19</sup> See Section II-11(d) of the New Settlement Agreement.

<sup>20</sup> Staff compared the throughput from TL63-303, Schedule 1 for 2019 in the amount of 4,076 with the throughput in the TL65-303 on Schedule 1 for 2021 in the amount of 2,298.

<sup>21</sup> Order P-20-005(4), dated November 25, 2020.

RCA No. 303 Third Revised Sheet No. 14

**RECEIVED**  
NOV 27 2019  
STATE OF ALASKA  
REGULATORY COMMISSION OF ALASKA

Canceling  
Second Revised Sheet No. 14

COOK INLET PIPE LINE, LLC

**Section 3: Rates**

**3.1 Granite Point or Trading Bay, Kenai Peninsula Borough, Alaska to Swanson River Oil Pipeline** [T]

FROM	TO	RATE IN CENTS PER BARREL OF 42 U.S. GALLONS	
Granite Point or Trading Bay	Swanson River Oil Pipeline	857.00	[I] [T]

[D] – Indicates deleted text

Tariff Letter: TL63-303 Effective Date: January 1, 2020  
Pursuant to P-20-005(1)

Issued by: COOK INLET PIPE LINE, LLC

By:   
Sean Kolassa

Title: President

RCA No. 303 Fourth Revised Sheet No. 14

**TARIFF SECTION**  
**RECEIVED**  
**DEC 01**  
**2020**  
**RCA**

Canceling  
Third Revised Sheet No. 14

COOK INLET PIPE LINE, LLC

**Section 3: Rates**

**3.1 Granite Point or Trading Bay, Kenai Peninsula Borough, Alaska to Swanson River Oil Pipeline**

FROM	TO	RATE IN CENTS PER BARREL OF 42 U.S. GALLONS
Granite Point or Trading Bay	Swanson River Oil Pipeline	1257 [I]

Tariff Letter: TL65-303 Effective Date: January 1, 2021

Issued by: COOK INLET PIPE LINE, LLC

By:   
Richard Novcaski

Title: Vice President